

Message Text

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PAGE 01 TAIPEI 01571 281051Z

53

ACTION COME-00

INFO OCT-01 EA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

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FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 4601

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TAGS ECON TW

SUBJECT: MAJOR PROJECTS: CHINA SHIPBUILDING CORPORATIN SHIPYARD

AND GATX SUPER TANKER

REF: TAIPEI 1337

1. IN DISCUSSION WITH GEORGE ROTHSCHILD, VICE PRESIDENT AND GENERAL COUNSEL, GENERAL AMRICAN TRANSPORTATION CORP. (GATX), EMBASSY CONFIRMED REFTEL REPORT THAT GATX'S CONTRACT WITH CHINA SHIPBUILDING CORP. (CSC) FOR FOUR 450,000 MT SUPER-TANKERS VERY MUCH IN DOUBT WITH NUMBERS 3 AND 4 CERTAINLY CANCELLED AND NO FIRM DECISION YET AGREED ON FIRST TWO VESSELS.

2. ROTHSCHILD ADDED FOLLOWING INFORMATION ON SHIPYARD FINANCING: GATX OWNS 25 PERCENT OF CSC WITH US\$7.5 EQUITY. ORIGINAL PRICE TAG OF US\$120 MILLION HAS ESCALATED TO CURRENT US\$200, APPROXIMATELY. GROC, DESIRING TO KEEP CSC SEMI-PRIVATE ENTERPRISE, HAS ASKED ORIGINAL SUBSCRIBERS TO INCREASE PARTICIPATEION. SO FAR, GATX HAS REFUSED AND GROC, THOUGH COMMITTED TO ARRANGE LOANS TO COVER 75 PERCENT OF CONSTRUCTION COSTS NOT CONTRIBUTED BY ORIGINAL OWNERS, IS HAVING TROUBLE WITH FINANCING.

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PAGE 02 TAIPEI 01571 281051Z

3. ROTHSCHILD SAID GATX INTENDED LEASE ORIGINAL
4 SUPER-TANKERS (COSTING US\$70 MILLION EACH) TO BURMAH
OIL TO HAUL PERSIAN GULF CRUDE TO BAHAMAS FOR REFINING
OR TRANSSHIPMENT. WITH BURMAH OIL, REPORTEDLY,
BANKRUPT AND ITS PRINCIPAL ASSETS SOLD TO BANK OF
ENGLAND, AND SURPLUS SUPER-TANKERS ALREADY AVAILABLE
ON WORLD MARKET AT SIZEABLE DISCOUNT, PROSPECT
FOR AT LEAST TWO AND PROBABLY ALL FOUR CSC-BUILT
TANKERS WAS DIM.

4. THERE HAVE BEEN SOME INDICATIONS "ARAB MONEY"
MIGHT BE MADE AVAILABLE TO FINANCE YARD AND SHIPS BUT
NOTHING FIRM HAS DEVELOPED. ROTHSCHILD BELIEVES
ONLY SOLUTION IS FOR GROC TO TAKE OVER CSC COMPLETELY
AND SUBSIDIZE OPERATION. CSC YARD, WHICH
WILL BE SECOND LARGEST IN WORLD ON COMPLETION, AND
WHERE EVERYTHING IS IN GIANT CATEGORY,
DOES NOT LEND ITSELF EFFICIENTLY TO SMALLER VESSEL
CONSTRUCTION, THOUGHT POSSIBILITY OF BUILDING DRILLING RIGS,
LP GAS VESSELS, AND CONTAINER SHIPS IS UNDER CONSIDERATION.

5. FOR YARD WHICH WAS BQP TO TURN OUT ONE SUPER-
TANKER EVERY THREE MONTHS, THIS IS SIZEABLE COMEDOWN.
GROC CONTINUES PUT BEST FACE ON CSC PROGRESS,
HOWEVER, INSISTING IN PUBLIC MEDIA THAT FIRST
VESSEL WILL BEGIN CONSTRUCTION IN AUGUST 1975. WE
ASSUME GROC WILL PRESS SHIPYARD TO COMPLETION SINCE
IT IS ONE OF ROC'S HIGHLY-PUBLICIZED TEN MAJOR
DEVELOPMENT PROJECTS WITH MUCH PRESTIGE AT STAKE.
WHAT THEY WILL HAVE IN WORLD'S SECOND-LARGEST DRYDOCK
(JUST SHORT OF ONE KM. LONG) IS DILEMMA CONFRONTING
LOCAL PLANNERS.
UNGER

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